Economic Development and Tourism

Tourism PEI

ANNUAL REPORT

2015-2016

Prince Edward Island

CANADA

Tourism PEI

2015-2016 Annual Report

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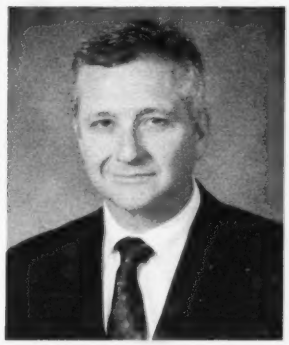
Minister's Message



The Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

I have the honour to submit herein the annual report for the activities of Tourism PEI for the period of April 1 2015, to March 31, 2016.

Tourism PEI is responsible for the promotion of Prince Edward Island as a premiere tourism destination, for tourism development and investments, the development and implementation of industry support programs, managing the regulatory affairs, and the evaluation and measurements of the industry. Tourism PEI also manages our provincial parks system, the four provincially owned golf courses, the Confederation Trail and Brookvale Provincial Ski Park. These venues help promote healthy lifestyles and active living for Islanders and visitors alike.

Respectfully submitted,

J. Heath MacDonald
Minister
Economic Development and Tourism

CEO's Message

Honourable Heath MacDonald
Minister of Economic Development and Tourism
PO Box 2000
Charlottetown, PE C1A 7B8

Dear Minister MacDonald:

Please accept this annual report for Tourism PEI for the fiscal year ending March 31, 2016.

Tourism, in the wake of an exceptional year in 2014, remained robust in 2015. Momentum from the year long PEI 2014 Sesquicentennial Celebration was carried forward into 2015. 2015 produced the highest level of overnight stays in paid accommodations since occupancy reporting began in 2005.

2015 saw significant changes to the structure of the past Department of Tourism and Culture. Tourism PEI, the provincial crown was merged under a new Department of Economic Development and Tourism, the major culture staff and programs were moved over under the Department of Education, Early Learning, and Culture.

In concert with the change, Tourism PEI appointed a dedicated CEO in October 2015. The Deputy and Minister positions remained for the whole of the new and expanded Department.

These changes recognize Tourism as a major economic contributor for our Province and more closely aligns Tourism's initiatives to that of the Province as a whole.

Tourism PEI continues to work with industry stakeholders on various matters including marketing, research, product development, capacity building and many others.

Respectfully submitted,

Cheryl Paynter
Chief Executive Officer and Secretary of the Board

Tourism PEI Overview

Tourism PEI is a Crown Corporation established by an Act of the Provincial Legislature and resides in the Department of Economic Development and Tourism as of May 20, 2015. Among its original purposes were to have the power to hold shares of subsidiary companies, to be able to hold title to real property and to receive industry revenues, primarily from marketing initiatives. It has a Board of Directors that meets annually to appoint auditors, approve financial statements, and review operations.

The Board is appointed at pleasure by Executive Council and during fiscal 2015-2016 was comprised of:

Minister J Heath MacDonald
Deputy Minister Neil Stewart
CEO Cheryl Paynter
Jeanette Arsenault - Industry representative
Don Cudmore - Industry representative
Kevin Jenkins - Tourism PEI

The Corporate Services Division of Tourism PEI is responsible for general administration, financial services, human resources, records management, insurance matters, FOIPP, Provincial Parks and Provincial Golf Operations.

The Strategic Initiatives Division (SID), is responsible for tourism development and investment, the development and implementation of industry support programs, managing the regulatory affairs pursuant to the *Tourism Industry Act* (license, occupancy reporting, water testing) and the *Highway Signage Act* (Tourism Directional Signage, Special Event Signage and On-Premises Signage). SID is also the lead liaison on intergovernmental affairs including an advocacy role to represent the interests of the tourism industry in key policy areas such as improved air access, tourism related legislation, labour and immigration issues, and land use matters.

The Marketing Communications Division aggressively markets and promotes Prince Edward Island as a premier vacation destination and ensures quality services for the tourism industry of Prince Edward Island. The division is responsible for customer service, retention and loyalty. Customer service centres include the provincially run visitor information and call centres. The division is also the lead for the implementation of the integrated tourism solution (ITS) technology and the central reservation system.

Tourism Industry Snapshot

Tourism is a key driver of economic and rural development on Prince Edward Island impacting many industries and providing many benefits across many industries and communities.

$2,733, 100 was invested with industry associations and not-for-profits across a variety of programs in 2015-16.

2016 also saw the launch of the TIAPEI led 5 year strategy, known now as Vision 2021, in Partnership with ACOA and Industry.

There were 1.4 million visitors to Prince Edward Island in 2015, a 5.6 percent increase over 2014. Estimated tourism expenditures by residents and non-residents were $405 million, an increase of 1 percent compared to the previous year.

Overnight stays increased by 2.9 percent, to 870,299. Campground stays were up 4.7 percent, while fixed roof room nights were up 2 percent.

During 2015, airport traffic decreased by 0.4 percent, ferry traffic increased by 8.2 percent, and bridge traffic increased by 6.4 percent. Cruise ship passenger and crew visits decreased by 6.3 percent.

In 2015, meetings, conventions, and incentive travel (MCIT) made a significant impact on tourism in PEI. In 2015 there were 106 meetings, bringing in 15,400 resident and non-resident delegates. Total direct spending by non-resident delegates and their travel party was estimated at $17.3 million dollars.

Tourism PEI Division Activities

Strategic Initiatives Division

The Strategic Initiatives Division is responsible for tourism development and investment, the development and implementation of industry support programs, and management of regulatory affairs pursuant to the *Tourism Industry Act* and the *Highway Signage Act*.

This section works actively with industry stakeholders in conducting research projects on consumer demand, quality assurance initiatives and new product development opportunities. The section also works with the Centre for Tourism Research at TIAPEI to increase the research capacity of the province and assist with the transfer of knowledge to industry partners.

Evaluation, Measurement and Business Intelligence Unit

This unit is responsible for the ongoing monitoring of the department's objectives and strategies including:

- Establishing corporate performance measurement tools
- Working with the department's senior management team to integrate performance management principles into program activity
- Coordinating corporate performance activity.

The unit has overall responsibility for overseeing the development of evaluation frameworks and the identification of evaluation metrics.

Product Development, Investment, and Regulatory Affairs

Product Development, Investment and Regulatory Affairs is responsible for:

- Managing opportunities to grow current businesses and attract new tourism development and investment opportunities.
- The professional development of industry partners and operators through the provision and support of training initiatives to ensure the tourism industry on PEI is competitive in the global marketplace.
- All regulatory functions administered under the authority of the *Tourism Industry Act* and Regulations and the *Highway Signage Act* and Regulations.
- Ensuring that all tourism operators are in compliance with industry standards as prescribed by legislation and regulations.
- Overseeing the investigation of quality standard issues and maintain a close relationship with industry organizations involved with standards. The unit oversees the contract with Quality Tourism Services (QTS). On behalf of the Department, QTS is contracted to perform the inspections required for the licensing of tourist accommodations.
- This division also manages contracts with Golf PEI, Meetings and Conventions PEI and all sector partners.

This unit is also responsible for the development and implementation of programs designed to support the expansion of the tourism industry through development of new and enhanced "product offerings" including, but not limited to key product markets such as coastal, golf, culinary and culture.

This division was responsible for the following funds in 2015-2016:

- The Regional Product Development Fund
- The Tourism Innovation Fund
- The Festivals and Events Assistance Program
- The Meetings and Conferences Hosting Grant Program
- The Tourism Website French Translation Program

During this period, the Department invested in key events that served to drive tourism demand including: Cavendish Beach Music Festival, Fall Flavours and Jack Frost Festival to name a few.

Industry Standards

The quality of Prince Edward Island's products and services is essential to the long-term health of the tourism industry.

The *Tourism Industry Act* sets out the operating standards for Prince Edward Island tourism accommodation establishments. On an annual basis every accommodation establishment must pass inspection. They must also have their water tested quarterly, submit monthly occupancy reports, and pay their annual license fee, in order to ensure that the property is in full compliance with the licensing standards set out in the Act.

Tourism PEI contracts Quality Tourism Services (QTS) to inspect and provide water testing support to all accommodation properties. QTS has as strong working relationship with Tourism PEI, and they employ professionally trained inspectors who are knowledgeable in the requirements of the Act.

Tourism PEI's compliance section supports licensed industry operators by enforcing the Act and works to bring unlicensed operators into compliance. Tourism PEI works closely with industry partners like TIAPEI and QTS to maintain the quality and standards that are critical to success. It is this team approach that ensures visitors enjoy the best possible vacation, based on quality services and memorable experiences.

Tourism PEI continues to strive toward increasing accessibility for the French-speaking public in order to comply with the Canada-PEI Agreement on French Language Services.
Tourism PEI provides reception services in both official languages and several staff are fluent in French or are taking French language training.

Visitor Information and Destination Centres provide services to the traveling public and have bilingual staff available. The Centres continue to improve the level of service with each passing

year. In all other venues of Tourism PEI's service to the public, every effort is made to ensure that there is service provided in French by front-line staff.

Under the terms of the Canada-PEI Agreement on French Language Services, the Association touristique Evangeline au service des Acadiens et Francophones de l'Ile-du-Prince-Edouard received funding for its leadership activities on behalf of Francophone and Acadian tourism operators across the province. This Association brings together Acadian and Francophone operators from across the province to better promote the Acadian and Francophone tourism product and the association works to present a united voice to government.

Fall Flavours

In 2015, the Fall Flavours Culinary Festival took place from Sept. 4 to October 4, 2015, and featured over 75 different culinary experiences, including signature events, culinary events, tasting events, and dining events. Signature events featured chefs from the Food Network and highlighted food experiences across the Island. Fall Flavours provides unique local culinary experiences during Prince Edward Island's peak harvest season, which interests our target markets. Restaurants across the Island participated in the Dining program, creating special menus featuring Island product.

Meetings and Conventions and Employee Convention Hosting Opportunities (ECHO)

In 2015, the Meetings and Convention Sector attracted 106 meetings/conventions that drew 15,400 delegates. Total direct spending by non-resident delegates and their travel party was estimated at $17.3 million dollars.

ECHO is a joint program with Tourism PEI, Discover Charlottetown, and the PEI Meeting and Convention Partnership. The mandate of ECHO is to encourage provincial employees to invite meetings to Prince Edward Island. ECHO also assists with the organization of these meetings by utilizing the many resources for support such as those available through the PEI Convention Partnership and Tourism PEI.

Marketing Communications

The overall mandate of the Marketing Communications Division is to promote Prince Edward Island as a premiere vacation destination in our target markets.

The division is responsible for travel industry sales, media relations, advertising, publications, distribution, PR activations and promotions.
Tourism PEI is a partner in the Atlantic Canada Tourism Partnership (ACTP) which merges two levels of government and the region's private industry. The partnership allows the province to reach strategic markets in the US (New England and mid-Atlantic), and United Kingdom.

Tourism PEI also actively pursues partnership opportunities with the Destination Canada (DC) and others, in joint-venture initiatives.

Advertising and Publicity

The 2015 marketing creative execution was a promotion of our key demand generators of coastal, culinary, culture and golf in the context that all of these activities are so much better because you get to enjoy them on our beautiful Island.

Sample ad copies included 'Memories last longer when you add a little island'; 'Vacations are more magical when you add a little island'; 'Flavours come alive when you add a little island'; 'Music sounds sweeter when you add a little island'.

Our marketing tactics for 2015 included print, digital and television media buy. It also included media relations and public relations activities. The following are a few highlights:

We had high impact activations in both Toronto Pearson Airport and Trudeau Airport in Montreal. There was a strong presence of PEI imagery on bus murals in Montreal, Toronto, Ottawa and Halifax. We also had a Prince Edward Island ice cream truck set up in busy urban areas to serve Cows ice cream. It was an opportunity to interact with potential visitors and capture their contact information in our CRM system for further communication.

We had a very successful partnership with the television show and magazine Ricardo, which appealed to both the Ontario and Quebec markets. We also worked with other major media partners both domestically and internationally.

2015 was the year we launched a new online program called 'Ask an Islander'. This program was developed based on visitors' desire for authenticity. Local ambassadors answered visitor questions. The initiative was so successful that it won the North American Excellence Award for Tourism.

Fulfillment

From April 1, 2015 to Mar 31, 2016

- A total of 56,651 Visitor Guides were mailed out, of which 7,143 were French guides.
- There were 2,473,105 sessions to the website, 10,687,348 pageviews with an average of 4.66(*) pages viewed per session.
    - Visitors spent an average of 4 minutes and 10(*) seconds on the site.
    - Visitors to the website were mostly Canadian with 462,117 American sessions, 43,098 Japanese sessions, 28,298 sessions from France, and 22,722 sessions from the UK.

(*) From October 21, 2015 to March 31, 2016 only – New analytics tracking

Trade and Sales

The Trade and Sales section is responsible for generating sales of Prince Edward Island's vacation products through trade, consumer, and media channels.

The section focuses primarily on North America, Japan, United Kingdom, and Germany.

Trade and Sales staff works with numerous trade partners such as tour operators, airlines, motor-coach companies, cruise lines, auto clubs, travel agents and media contacts to promote Prince Edward Island.

The Trade and Sales staff provide an ongoing connection between local tourism operators on the Island and members of the travel trade that have clients visiting Prince Edward Island or are developing new initiatives to encourage and increase new visitors to Prince Edward Island.

The majority of Trade and Sales activity is carried out in cooperation with local industry partners at marketplaces, consumer shows, and sales functions.

During the 2015-2016 fiscal year, the Trade and Sales section participated in the following marketplaces:

- American Bus Association (ABA)
- Rendezvous Canada (RVC)
- World Travel Mart (WTM)
- ITB-Berlin
- The Canada/New England Cruise Symposium

In addition, Trade and Sales Staff participated in a reduced number of consumer travel shows. The focus was on having a stronger presence in the shows with the strongest potential ROI. Sales functions included media events and travel agent training in cooperation with the Atlantic Canada Tourism Partnership (ACTP) in key target markets.

The cruise market has become a major contributor of visitors to Prince Edward Island. In 2015-2016, 67 cruise ships arrived, carrying 79,096 passengers, a slight decrease over 2014-15, but still a very healthy industry. The trade and sales staff work closely with the Atlantic Canada Cruise Association to attract cruise ships to Prince Edward Island primarily through joint marketing partnerships with major cruise lines.

Digital Marketing

This section of the Marketing Communications division is responsible for the online marketing programs and tools that drive web, mobile and social media usage, email response rates, sales conversion and enhanced consumer experience while driving increased engagement. The Digital marketing section also ensures a seamless process in executing effective customer relations management as part of the overall Tourism PEI marketing strategy. It is the lead for the operation of Integrated Tourism System (ITS) technology, including the central reservation system and Book PEI.

Visitor Information Centres (VIC)

The province operated five Visitor Information Centres at the following locations: Charlottetown Airport, Borden-Carleton, Wood Islands, Souris, and West Prince. Borden-Carleton provided services to the travelling public throughout the entire year.

The Charlottetown, Cavendish, St. Peters and Summerside VICs operated as Destination Centres in partnership with the Province through the Destination Centre Agreement with their respective regional tourism associations.

Corporate Services

The Corporate Services Division of Tourism PEI is responsible for general administration, financial services, human resources, records management, insurance matters, Provincial Parks and Provincial Golf Operations.

Provincial Parks and Confederation Trail

The 2015 – 2016 year was a busy one for the PEI Provincial Park system of campgrounds and day-use areas. Campground visitations rebounded from the previous year with a total of 34,546 sites sold, representing an increase of almost 12% from 2014. All Provincial Park campgrounds experienced increased visitation with the exception of Panmure Island Provincial Park which saw a slight 3% decrease in sites sold. Jacques Cartier Provincial Park recorded the largest increase in visitation up over 12% from the previous season. Red Point Provincial Park continues to be the most popular campground in the Provincial Park system with over 6,300 site nights sold. Cabot Beach Provincial Park and Brudenell River Provincial Park round out the top three campgrounds with 5,726 and 4,933 site night sold respectively.

In a continuing effort to upgrade park infrastructure, a number of initiatives were undertaken in various campgrounds and day-use parks across the province during the 2015 – 2016 fiscal year. Most notable was the beginning of work on new washroom facilities at Linkletter Provincial Park, Brudenell River Provincial Park and Wood Island Provincial Park. Other capital improvements included shelter upgrades at Red Point Provincial Park, new playground equipment at Kings Castle Provincial Park, washroom renovations at Northumberland Provincial Park and snowmaking upgrades at Brookvale Provincial Ski Park.

Once again, Provincial Parks coordinated and delivered a variety of summer programs to park visitors including children's activities, nature and outdoor interpretive activities, sport activities and family activities. Parks was also pleased to provide life guard services on eight provincial park beaches and at the swimming pool in Brudenell Provincial Park. Provincial Parks was pleased to once again operate the Mill River Fun Park.

Brookvale Provincial Winter Activity Park enjoyed a tremendous winter season in 2016. The Nordic venue was the first to open on January 1 followed by the Alpine site the next day. One of the major highlights of the skiing season was the successful introduction of a mandatory helmet policy for all users of the Alpine facility. To support the mandatory helmet policy,

Brookvale invested over $ 10k in new helmets. Both the Nordic and Alpine sites were able to host a number of events most notably, an Under 14 Downhill Race as part of the Maritime Ski Circuit and various biathlon events including the 2nd Annual Atlantic Cup. Finally, the Brown's Volkswagen Snow School continues to expand and grow. In 2016, group lesson registrations reached 350, an increase of 25 participants from the previous year. Finally, winter programming at Mill River Provincial Park continues to offer a variety of winter outdoor opportunities including groomed cross country skiing trails, snow shoeing, tubing and skating.

As Program Managers of the Confederation Trail, Provincial Parks maintains responsibility for advertising, development and partnerships relating to the trail. The popularity of Confederation Trail as an outdoor tourism product continues to grow with both tourism operators and visitors. In addition, the Trail provides an outstanding healthy living opportunity for all Islanders across the Province. Finally, the Provincial Parks would like to acknowledge the ongoing support of the Department of Transportation, Infrastructure and Energy whose outstanding maintenance program continues to be one of the key factors to the ongoing success of Confederation Trail.

Provincial Golf Courses

On P.E.I., golf is considered one of the pillars of the tourism industry and is therefore an important piece of the tourism strategy.

The 2015 season saw 38,396 non-member rounds played at the four Provincial courses. This represented a 2.6% increase in non-member rounds played over the 2014 season.

Standard rack rates did not change from the 2014 season, packaged rates were increased slightly.

Membership rates remained the same as the 2014 season. In total, there were 621 members:

- 226 full members
- 102 senior members
- 43 intermediate members
- 70 weekday members
- 94 afternoon members
- 79 junior members
- 7 Diamond members.

103 of these full members opted to include Dundarave as an addition to their membership.

Through February and March "PEI's Finest Golf", in partnership with Golf PEI, travelled to 4 consumer golf shows in Toronto, Montreal, Quebec City and Moncton.

The purpose of our attendance was to promote our products and facilities that we have to offer the travelling golfer.

The Links at Crowbush Cove:

- Opened for the season on May 22 and closed Oct 18. Ice damage from the harsh winter affected two greens and sections of a number of tees and fairways. As temperatures warmed in the Spring, the damage grew out. Small sections on green #7 were repaired with turf from the Crowbush nursery.

- Capital improvements for Crowbush included: the purchase of a new bunker rake and triplex mower along with new cutting heads for our fairway units and rough mower.

- Members from Brudenell were permitted to play Crowbush until the end of June while the greens were recovering from the winter damage.

Mill River:

- Opened for the season on May 22 and closed on Oct 18.

- Capital improvements for Mill River included: the purchase of winter greens covers to replace existing covers which had reached the end of their product life.

- Mill River had little damage from the winter due to the greens covers we use which protects the greens from ice. The course opened in good condition and improved as the temperature increased.

Brudenell/Dundarave:

- Brudenell opened for the season on May 22 and closed on Oct 18. Dundarave opened on June 5 and closed on Oct 4.

- Capital projects included: the construction of a new halfway house at Dundarave, completely regrassing 6 greens on Dundarave and 2 on Brudenell, and repairing 8 greens on Dundarave.

- Capital purchases included utility vehicles, a sprayer, and greens covers.

Financial Services and Office Administration

Financial Services is responsible for budgeting, forecasting, regular expenditure monitoring, and the day to day fiscal management of the Corporation. Financial Services also manages invoicing, receivables, collections, payables, banking, taxes, procurement, and external audits. Additional responsibilities include records management, Freedom of Information and Protection of Privacy Act compliance, contracts, insurance coordination, telecommunications, fleet management, and office administration.

Appendix A

Legislative Responsibilities, Boards and Commissions

Acts

Highway Signage Act
National Park Act
Recreation Development Act
Tourism Industry Act
Tourism PEI Act
Trails Act

Boards/Commissions/Agencies

Tourism Advisory Council
Tourism PEI Board
Tourism Arbitration Board

Appendix B

Financial Statements

Tourism PEI

Financial Statements
March 31, 2016

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Management's Report

The integrity, relevance and comparability of the data in the accompanying financial statements are the responsibility of management.

The financial statements are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies is disclosed in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current period cannot be finalized with a certainty until future periods.

To meet its responsibility, management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Management is accountable to the Board of Directors of Tourism PEI on matters of financial reporting and internal controls. Management provides the Board with externally audited financial statements annually. The Board also discusses any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by ArsenaultBestCameronEllis, independent external auditors appointed by the Board. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of Tourism PEI

Cheryl Paynter, CPA, CA
Chief Executive Officer

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Member of The AC Group of Independent Accounting Firms

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June 3, 2016

Independent Auditor's Report

To the Minister of Economic Development and Tourism

We have audited the accompanying financial statements of **Tourism PEI**, which comprise the statement of financial position as at March 31, 2016, and the statement of operations, changes in net debt and cash flows for the year then ended, and a snmmary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of **Tourism PEI** as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

ArsenaultBestCameronEllis

Chartered Professional Accountants

Tourism PEI

Statement of Financial Position

As at March 31, 2016

	2016 $	2015 $
Assets		
Financial assets		
Cash	1,798,181	291,480
Accounts receivable (notes 3 and 4)		743,890
1,351,573		
	2,542,071	1,643,053
Liabilities		
Accounts payable and accrued liabilities (note 4)	2,540,200	1,323,592
Due to the Province of Prince Edward Island (note 2)	133,604	476,894
	2,673,804	1,800,486
Net debt	(131,733)	(157,433)
Inventory	129,343	142,809
Prepaid expenses	2,390	14,624
	131,733	157,433
Accumulated surplus	-	-

Approved by the Corporation

_____ Minister

ArsenaultBestCameronEllis
CHARTERED PROFESSIONAL ACCOUNTANTS

Tourism PEI

Statement of Operations

For the year ended March 31, 2016

	2016 Budget (unaudited) $	2016 Actual $	2015 Actual $
Revenue			
Grants from Province of Prince Edward Island	14,674,600	14,279,982	14,914,865
Marketing	775,000	658,412	763,099
Visitor Services	100,000	90,039	95,019
Brookvale Ski Park	375,000	393,074	434,355
Park Operations	957,900	1,172,338	1,042,117
Golf Operations	4,041,000	4,107,880	4,035,128
Book PEI fees	45,000	40,300	46,150
	20,968,500	20,742,025	21,330,733
Expenses (Schedule)			
Finance and Administration	234,100	128,383	262,911
Parks Administration	355,400	347,698	368,447
Park Operations	2,975,500	3,059,532	2,956,996
Brookvale	755,900	754,140	705,728
Golf Operations	4,844,800	4,919,989	4,834,251
Strategy and Evaluation	690,500	591,558	686,995
Industry Investment	2,966,300	2,990,800	3,296,432
Regulation and Compliance	229,000	190,403	226,080
French Services	253,900	253,900	253,495
Business Development	667,300	629,975	545,553
Visitor Services	703,200	703,508	669,907
Marketing	4,574,100	4,474,178	4,907,500
Media Relations/Editorial	369,700	313,341	303,881
Fulfillment	443,700	418,939	427,321
Publications	477,900	442,868	436,443
Travel/Trade Sales	427,200	522,813	448,793
	20,968,500	20,742,025	21,330,733
Operating surplus	-	-	-

Tourism PEI

Statement of Changes in Net Debt

For the year ended March 31, 2016

	2016 $	2015 $
Operating surplus	-	-
Acquisition of inventory	(129,343)	(142,809)
Acquisition of prepaid expenses	(2,390)	(14,623)
Consumption of inventory	142,809	120,122
Use of prepaid expenses	14,624	17,643
	25,700	(19,667)
Decrease (increase) in net debt	25,700	(19,667)
Net debt - Beginning of year	(157,433)	(137,766)
Net debt - End of year	(131,733)	(157,433)

Tourism PEI

Statement of Cash Flows

For the year ended March 31, 2016

	2016 $	2015 $
Cash provided by (used in)		
Operating activities		
Operating surplus	-	-
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable	607,683	(212,981)
Decrease (increase) in inventory	13,466	(22,687)
Decrease in prepaid expenses	12,234	3,019
Increase (decrease) in accounts payable and accrued liabilities	1,216,608	(1,031,667)
Increase (decrease) in due to the Province of Prince Edward Island	(343,290)	455,898
Net change in cash	1,506,701	(808,418)
Cash - Beginning of year	291,480	1,099,898
Cash - End of year	1,798,181	291,480

Tourism PEI became a Crown corporation effective March 31, 1999 under the Tourism PEI Act passed by the Government of Prince Edward Island on June 8, 1999. The objectives of Tourism PEI are to carry out tourism related activities of the Province of Prince Edward Island.

The financial results of the corporation are included in the public accounts of the Province of Prince Edward Island.

1 Summary of significant accounting policies

The financial statements of the corporation have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of CPA Canada. The following is a summary of significant accounting policies used in the preparation of these statements.

Financial instruments

The Corporation's financial instruments consists of cash, accounts receivable, accounts payable and accrued liabilities and due to the Province of Prince Edward Island.

All financial assets and financial liabilities are initially recognized at fair value and subsequently measured at cost or amortized cost

Cash

Cash consists of cash on hand and bank balances.

Due to the Province of Prince Edward Island

Current operations:

Excess revenue for the year for Tourism PEI is recorded as a reduction in Grants from Province of Prince Edward Island and as an amount due to the Province of Prince Edward Island.

Inventory

Inventory is valued at the lower of cost, determined using the average cost method, and market. Market is defined as net realizable value.

Revenue recognition and government assistance

Grants from the Province of Prince Edward Island are recorded as revenue when authorized. Revenue from marketing activities is recorded when billed and revenue from park operations, services and fees is recorded when earned as services are provided.

Revenue from golf operation is recognized when goods or services are delivered to the customer and ultimate collection is reasonably assured.

Expenses

Expenses are recorded in the period in which the related goods and services are consumed except for certain marketing related expenditures, recorded in marketing expenses, that are recorded in the period the goods and services are acquired and a liability incurred and program grant expenditures, recorded in Industry Investment, that are recorded in the period in which the funds are approved for disbursement and a corresponding liability incurred.

Vacation pay and pension liabilities

The staff of Tourism PEI are employees of the Province of Prince Edward Island. Direct costs for employees of the Province of Prince Edward Island allocated to Tourism PEI are charged to the company on a per-payroll basis. Since the staff are employees of the Province, accrued vacation pay and pension obligations are liabilities of the Province and not the corporation and no liability for these costs has been accrued by the corporation as at March 31, 2016.

Management estimates

The presentation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Significant items subject to such estimates and assumptions include the valuation of accounts receivable. Actual amounts could differ.

2 Due to the Province of Prince Edward Island

	2016 $	2015 $
Current operations		
Excess revenue for the year - Tourism PEI	133,604	476,894

3 Accounts receivable

	2016 $	2015 $
Accounts receivable	662,282	1,346,812
HST receivable	213,513	239,761
Less: allowance for doubtful accounts	(131,905)	(235,000)
	743,890	1,351,573

4 Related party transactions

During the year, the corporation utilized office premises from a Department of the Province of Prince Edward Island for nil consideration.

Tourism PEI utilizes the provincial parks, including Brookvale Ski Park, the provincial golf courses, the provincial day parks and the full service campgrounds, as well as the Visitor Information Centres in carrying out its mandate. Tourism PEI paid rent of $27,814 (2015 - $26,753) to utilize these facilities.

Included in accounts receivable is $4,176 (2015 - $2,679) due from departments of the Province of Prince Edward Island. Included in accounts payable and accrued liabilities is an amount of $606 (2015 - $9,939) due to departments of the Province of Prince Edward Island and nil (2015 - $75,240) due to a provincial Crown corporation.

5 Commitments

(a) Tourism PEI has entered in various contracts resulting in the following commitments for the next two years:

	$
Year ending March 31, 2017	1,168,000
2018	90,000

(b) The minimum annual lease payments required over the next five years under operating leases for base rentals including premises in Mill River expiring in August 2075 and for an equipment lease expiring in October 2016 are as follows:

	Equipment $	Premises $
Year ending March 31, 2017	26,136	1
2018	-	1
2019	-	1
2020	-	1
2021	-	1

In addition to the base lease premises rental in Mill River, there is a requirement to pay the corporation's pro rata share, based on rental space, of the operating costs, including property taxes, of the premises in Mill River and Brudenell, which amounted to $116,928 (2015 - $97,026).

6 Financial risk management objectives and policies

Tourism PEI's principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Tourism PEI manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

(a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's accounts receivable.

Accounts receivable includes trade receivables, HST receivable and other accrued receivables.

Tourism PEI's maximum exposure to credit risk is $743,890, its carrying value of accounts receivable as noted on the statement of financial position.

Details of the carrying value of accounts receivable that are past due at the financial statement date are as follows:

	Current $	Up to 90 days overdue $	Over 90 days overdue $	Allowance for doubtful accounts $	2016 Total $
Accounts receivable					
Trade receivables	344,940	15,856	148,363	(131,905)	377,254
HST receivable	213,513	-	-	-	213,513
Other receivables	153,123	-	-	-	153,123
	711,576	15,856	148,363	(131,905)	743,890

	Current $	Up to 90 days overdue $	Over 90 days overdue $	Allowance for doubtful accounts $	2015 Total $
Accounts receivable					
Trade receivables	404,271	46,709	868,029	(235,000)	1,084,009
HST receivable	239,761	-	-	-	239,761
Other receivables	27,803	-	-	-	27,803
	671,835	46,709	868,029	(235,000)	1,351,573

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities and due to the Province of Prince Edward Island as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The company's financial liabilities total $2,673,804 and are expected to be repaid within one year.

(c) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(d) Capital management

The primary objective of Tourism PEI's capital management is to ensure that it maintains a healthy financial position in order to support its business. Tourism PEI manages its capital structure and makes changes to it in light of changes in economic conditions.

Tourism PEI

Consolidated Schedule of Expenses by Type

For the year ended March 31, 2016 **Schedule**

	Salaries and benefits $	Operating Goods and Services $	2016 Total $
Finance and Administration	115,857	12,526	128,383
Parks Administration	281,826	65,872	347,698
Park Operations	2,138,187	921,345	3,059,532
Brookvale	486,183	267,957	754,140
Golf Operations	2,874,738	2,045,251	4,919,989
Strategy and Evaluation	269,252	322,306	591,558
Industry Investment	174,178	2,816,622	2,990,800
Regulation and Compliance	109,237	81,166	190,403
French Services	-	253,900	253,900
Business Development	177,437	452,538	629,975
Visitor Services	590,929	112,579	703,508
Marketing	337,845	4,136,333	4,474,178
Media Relations/Editorial	153,925	159,416	313,341
Fulfillment	128,586	290,353	418,939
Publications	140,715	302,153	442,868
Travel/Trade Sales	158,459	364,354	522,813
	8,137,354	12,604,671	20,742,025

	Salaries and benefits $	Operating Goods and Services $	2015 Total $
Finance and Administration	116,740	146,171	262,911
Parks Administration	301,162	67,285	368,447
Park Operations	2,085,805	871,191	2,956,996
Brookvale	458,177	247,551	705,728
Golf Operations	2,854,111	1,980,140	4,834,251
Strategy and Evaluation	358,520	328,475	686,995
Industry Investment	209,867	3,086,565	3,296,432
Regulation and Compliance	119,011	107,069	226,080
French Services	-	253,495	253,495
Business Development	112,485	433,068	545,553
Visitor Services	578,431	91,476	669,907
Marketing	379,615	4,527,885	4,907,500
Media Relations/Editorial	150,624	153,257	303,881
Fulfillment	118,631	308,690	427,321
Publications	134,450	301,993	436,443
Travel/Trade Sales	149,283	299,510	448,793
	8,126,912	13,203,821	21,330,733

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